



December 16, 2004

Gary M. Jackson
Assistant Administrator for Size Standards
U.S. Small Business Administration
409 Third Street, S.W.
Washington, D.C. 20416

Re: Comments on Advance Notice of Proposed Rulemaking (RIN 3245-ZA02)

Dear Mr. Jackson:

Thank you for the opportunity to submit comments on the Small Business Administration's Advance Notice of Proposed Rulemaking regarding the participation of businesses which are majority-owned by venture capital companies (VCC) in the Small Business Innovative Research (SBIR) program.

ESA, Inc. is a manufacturing and research company headquartered in Chelmsford, MA whose products and services have played a significant role in advancing the health care of Americans for more than 30 years. Since its establishment in 1968, ESA has designed and manufactured numerous high technology analytical instruments used for analyzing minute quantities of substances, often at the molecular level. Our products are utilized in biomedical research projects, public health interventions, clinical laboratories and environmental quality control studies.

Throughout our history, ESA has been an active participant in the SBIR program. With a total of 94 employees, the support we have received from SBIR (particularly through the National Institutes of Health) has been instrumental to our success in developing products that enhance the nation's health.

Earlier this year, ESA was acquired by Ampersand Ventures, a venture capitalist company specializing in the information technology and life sciences sectors. Ampersand has an equity ownership interest in ESA, and their acquisition has not significantly changed our core mission, size or operating fundamentals. The employees and business activities of Ampersand and its other holdings do not have an immediate impact on ESA or our operations. ESA's research agenda, and the need for partnerships with the private sector and the federal SBIR program, remains unchanged based on our "affiliation" with Ampersand.

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Consequently, we believe it is counterproductive to exclude companies like ESA, with a proven track record of success as an SBIR grantee, from future participation in the program based on our relationship with a VCC. Large venture capital companies represent an important source of support for small businesses. The unique relationship between VCC's and small business should be taken into consideration when determining eligibility for federal programs like SBIR. We believe that the current SBIR "affiliation" standard should not apply to VCC's when determining the size of a small business.

If participation in the SBIR program were restricted to companies that do not exceed the 500 employee limit when affiliated with a VCC, it will stifle innovative research and development and create a disincentive for future VCC / small business partnerships. **As a result, we encourage SBA to take the necessary steps to provide an exclusion from affiliation regulations for small businesses financed by VCC's when determining eligibility for the SBIR program. We particularly encourage an exclusion be granted for small businesses with a history of successful SBIR participation, whose core operations have not been altered as a result of their VCC affiliation.**

Once again, thank you for the opportunity to provide comments on this important issue. Please do not hesitate to contact me at (978) 250-7120 if you have questions or need any additional information.

Sincerely,

Walter DiGiusto
President
